

## Message Text

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ORIGIN AF-18

INFO OCT-01 ISO-00 EB-11 AID-20 COME-00 L-03 IGA-02 TRSE-00

SS-20 SP-03 CIAE-00 INR-10 NSAE-00 RSC-01 NSC-07

OMB-01 /097 R

DRAFTED BY AF/TJBURKE:JR  
APPROVED BY AF - AMB. EASUM  
AF/E:MR. KEELEY  
AF - MR. BLAKE  
EB/IFD/OIA - MR. COURTNEY(DRAFT)  
AA/AFR-MR. BROWN (DRAFT)  
AFR/ESA - MR. SCORDATO(DRAFT)  
COM/ALI-MR. GRAY (SUBS)  
COMMERCE - MMANLEY (PARA 4)

----- 066877

P 252122Z APR 74  
FM SECSTATE WASHDC  
TO AMEMBASSY LUSAKA PRIORITY  
AMEMBASSY NAIROBI  
AMEMBASSY MBABANE

C O N F I D E N T I A L STATE 084886

E.O. 11652: GDS  
TAGS: EFIN, ZA, US  
SUBJECT: TAW

NAIROBI FOR REDSO/EA  
MBABANE FOR OSARAC

1. AT INITIATIVE OF THOMAS A WOOD, CHIEF EXECUTIVE OFFICER  
OF TAW INTERNATIONAL, HE AND TAW ATTORNEY ALAN DYNNER  
CALLED ON ASSISTANT SECRETARY EASUM APRIL 22 TO DISCUSS  
GRZ CANCELLATION OF TAW CONTRACT. OTHER PARTICIPANTS  
AT MEETING WERE DEPUTY ASSISTANT SECRETARY BLAKE, ACTING  
DEPUTY ASSISTANT SECRETARY ROOT AND COUNTRY OFFICER FOR  
ZAMBIA.

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2. WOOD AND DYNNER BRIEFLY REVIEWED HISTORY OF CONTRACT AND ITS CANCELLATION AND STATED THEIR CONVICTION THAT CANCELLATION CLEARLY ILLEGAL AND CARRIED OUT BECAUSE TAW CONTRACT HAD BEEN CONVENIENT ISSUE ON WHICH ONE FACET OF CONTINUING STRUGGLE FOR SUPREMACY BETWEEN CABINET AND CENTRAL COMMITTEE COULD BE FOUGHT. WOOD CHARACTERIZED THIS BATTLE AS ONE BETWEEN BEMBA/TONGA ALLIANCE AND "EASTERNERS" IN WHICH ANTI-TAW FACTION WAS LED BY MAINZA CHONA, KASHITA, CHIKWANDA AND MWAANGA. (WOOD CHARACTERIZED MWAANGA AS LESS-THAN-ENTHUSIASTIC PARTNER OF ANTI-TAW GROUP.) HE SAID THAT HE "KNEW" PRESIDENT KAUNDA HAD NOT APPROVED OF CANCELLATION, AND

INDEED HAD SENT RECOMMENDATION TO CONTINGENCY COMMITTEE INDICATING HIS BELIEF THAT CONTRACT SHOULD NOT BE CANCELLED.

3. SPECIFIC REQUESTS MADE BY WOOD AND DYNNER AT MEETING WERE THAT (A) USG INTEREST IN MATTER BY SIGNALLED TO GRZ BY OFFICIAL REQUEST FOR RATIONALE BEHIND CANCELLATION DECISION; (B) THAT NO ACTION BE TAKEN WITH REGARD TO AID PROGRAM LOAN WHICH WOULD GIVE AID AND COMFORT TO ANTI-TAW FORCES WHICH, WOOD SAYS, BELIEVE THAT CANCELLATION WILL HAVE NO EFFECT ON BILATERAL ECONOMIC OR POLITICAL RELATIONS; AND (C) THAT GRZ NOT BE PERMITTED TO UTILIZE PROCEEDS OF PROGRAM LOAN TO PURCHASE TAW DRIVER SIMULATOR OR TRACTOR/TRAILER UNITS NOW IN ZAMBIA OR SIMILAR REPLACEMENT UNITS.

4. WOOD ALSO MENTIONED STORY THAT DYNNER HAD RAISED EARLIER WITH DEPOFF REGARDING A TRADE OPPORTUNITY WHICH NEITHER WOOD NOR DYNNER HAD SEEN BUT WHICH ALLEGEDLY REPORTED THAT GRZ OR PARASTATAL WAS SEEKING MANAGEMENT SERVICES TO OPERATE 500 UNIT TRUCK FLEET. WOOD AND DYNNER MADE STRONG PRESENTATION AGAINST USE OF PROGRAM LOAN FUNDS FOR SUCH PURPOSE. DEPOFF SAID THAT DEPT OF COMMERCE BELIEVED, AND HE AGREED, THAT THIS STORY WAS BASED ON MISINTERPRETATION OF LAST PORTION OF TRADE OPPORTUNITY REPORTED IN LUSAKA 550.

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5. EASUM INDICATED THAT WE HAD NO OBJECTION TO ASKING EMBASSY TO SEEK GRZ EXPLANATION OF TAW PROBLEM. DEPOFFS RECALLED WOOD PREVIOUSLY HAD PREFERRED THAT EMBASSY NOT INTERJECT ITSELF DIRECTLY IN PROBLEM. (WOOD AGREED THAT THIS HAD BEEN TAW'S POSITION AT EARLIER STAGE.)

6. ON QUESTION OF UTILIZATION OF PROGRAM LOAN PROCEEDS

FOR SIMULATOR AND/OR TRACTOR/TRAILER UNITS, STATE PARTICIPANTS TOLD WOOD AND DYNNER THAT PURCHASE OF NON-TAW SIMULATOR WITH THESE FUNDS HAD ALREADY EFFECTIVELY BEEN STALLED (STATE 70009) SINCE STATE/AID HAD FORESEEN POTENTIAL PROBLEM IN SUCH USE OF PROGRAM LOAN PROCEEDS. SIMILAR TACTICS COULD BE USED IN EVENT GRZ INDICATED DESIRE TO PURCHASE TAW SIMULATOR OR TRACTOR/TRAILER UNITS IN COUNTRY WITH PROGRAM LOAN FUNDS. (AID ADVISES THAT, IN ANY CASE, LOAN AGREEMENT DOES NOT PERMIT PURCHASE OF ITEMS ALREADY IN COUNTRY, I.E., TAW EQUIPMENT.) HOWEVER, BLAKE NOTED THAT BALD STATEMENT TO GRZ OF NON-CONCURRENCE BY USG IN SUCH USE OF FUNDS

LIKELY OBVIATE ANY POTENTIAL FOR REINSTATEMENT OF CONTRACT (WHICH WOOD CAUTIOUSLY ESTIMATED AT 20 PERCENT POSSIBILITY) OR OF GRZ-TAW SETTLEMENT PRIOR TO ARBITRATION PROCEEDINGS.

7. EMBASSY IS REQUESTED TO ADVISE GRZ THAT WOOD HAS CALLED ON EASUM IN ORDER TO EXPLAIN TAW POSITION ON CONTRACT CANCELLATION. HAVING RECEIVED TAW STATEMENT OF PROBLEM, EASUM HAD REQUESTED EMBASSY TO ASCERTAIN FROM GRZ WHAT FACTORS, IF ANY, BESIDE PUBLICLY STATED RATIONALE OF FAILURE TO MEET DELIVERY SCHEDULE IMPELLED GRZ TO CANCEL CONTRACT. WHILE EMBASSY MAY USE ITS DISCRETION ON MODE OF SUCH APPROACH, IF EXPLANATION IS REQUESTED OF OR THROUGH FOREIGN MINISTER NWAANGA, DEPT BELIEVES POINT SHOULD BE MADE THAT THIS IS CASE IN WHICH, CONTRARY TO FOREIGN MINISTER'S EXPRESSED INTENTION TO WORK FOR ENHANCED BILATERAL ECONOMIC RELATIONSHIP, GRZ ACTION ON TAW CONTRACT LIKELY TO ENGENDER CONCERNS IN MINDS POTENTIAL U.S. INVESTORS OR ENTREPRENEURS ABOUT RISKS DOING BUSINESS IN ZAMBIA.

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8. UNTIL WE HAVE HAD OPPORTUNITY TO REVIEW GRZ'S STATEMENT OF CASE AND CONSULT FURTHER WITH WOOD RE PROSPECTS FOR AMICABLE SETTLEMENT FOLLOWING HIS RETURN TO U.S., DEPT AND AID/W DO NOT WISH PROGRAM LOAN TO BE UTILIZED FOR PURCHASE OF REPLACEMENTS FOR SIMULATOR OR TRACTOR/TRAILER UNITS. IF GRZ INDICATES TO EMBASSY ANY INTENT TO SO UTILIZE LOAN FUNDS, YOU MAY INFORM GRZ INTERLOCUTOR THAT USE OF AID LOAN FUNDS TO PURCHASE EQUIPMENT OR SERVICES WITH WHICH GRZ HAD BECOME FAMILIAR THROUGH NOW-CANCELLED TAW CONTRACT WOULD BE INAPPROPRIATE UNTIL SITUATION CLARIFIES, PARTICULARLY IN LIGHT GRZ PUBLIC CLAIMS THAT EQUIPMENT AND SERVICES PROVIDED BY TAW WERE IN EXCESS OF ZAMBIA'S NEEDS.

9. WOOD AND DYNNER ALSO CALLED ON AID ASSISTANT ADMINISTRATOR ADAMS APRIL 22, MAKING SIMILAR PRESENTATION. ADAMS INDICATED HE WOULD LOOK INTO SPECIFIC PROVISIONS OF PROGRAM LOAN AGREEMENT. HE MADE NO COMMITMENT BEYOND THIS. KISSINGER

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